

# House Study Bill 271

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
ECONOMIC GROWTH BILL BY  
CHAIRPERSON THOMAS)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act creating an entrepreneurial endowment and development  
2 grant program and making an appropriation.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 2668HC 82  
5 tm/es/88

PAG LIN

1 1 Section 1. NEW SECTION. 15E.361 SHORT TITLE.  
1 2 This division shall be known and may be cited as the  
1 3 "Entrepreneurial Endowment and Development Grant Act".  
1 4 Sec. 2. NEW SECTION. 15E.362 DEFINITIONS.  
1 5 As used in this division, unless the context otherwise  
1 6 requires:  
1 7 1. "Board" means the same as defined in section 15E.303.  
1 8 2. "Community affiliate organization" means the same as  
1 9 defined in section 15E.303.  
1 10 3. "Endow Iowa planned gift" means an irrevocable  
1 11 contribution to a permanent endowment held by an endow Iowa  
1 12 qualified community foundation when the contribution uses any  
1 13 of the following techniques that are authorized by the  
1 14 Internal Revenue Code:  
1 15 a. Charitable remainder unitrusts, as defined by 26 U.S.C.  
1 16 } 664.  
1 17 b. Charitable remainder annuity trusts, as defined by 26  
1 18 U.S.C. } 664.  
1 19 c. Pooled income fund trusts, as defined by 26 U.S.C. }  
1 20 642(c)(5).  
1 21 d. Charitable lead unitrusts qualifying under 26 U.S.C. }  
1 22 170(f)(2)(B).  
1 23 e. Charitable lead annuity trusts qualifying under 26  
1 24 U.S.C. } 170(f)(2)(B).  
1 25 f. Charitable gift annuities undertaken pursuant to 26  
1 26 U.S.C. } 1011(b).  
1 27 g. Deferred charitable gift annuity undertaken pursuant to  
1 28 26 U.S.C. } 1011(b).  
1 29 h. Charitable life estate agreements qualifying under 26  
1 30 U.S.C. } 170(f)(3)(B).  
1 31 i. Paid-up life insurance policies meeting the  
1 32 requirements of 26 U.S.C. } 170.  
1 33 4. "Endow Iowa qualified community foundation" means the  
1 34 same as defined in section 15E.303.  
1 35 5. "Entrepreneurial development organization" means a  
2 1 public entity or nonprofit organization with a primary mission  
2 2 of promoting entrepreneurship and facilitating local  
2 3 entrepreneurial development for a community, county, or  
2 4 multiple county area.  
2 5 6. "Lead entrepreneurial endowment development entity"  
2 6 means the entity identified by the department pursuant to  
2 7 section 15E.363.  
2 8 7. "Lead philanthropic entity" means the same as defined  
2 9 in section 15E.303.  
2 10 Sec. 3. NEW SECTION. 15E.363 ENTREPRENEURIAL ENDOWMENT  
2 11 AND DEVELOPMENT GRANT PROGRAM.  
2 12 1. The department shall identify a lead entrepreneurial  
2 13 endowment development entity to initiate, coordinate, and  
2 14 evaluate activities for accomplishing the purposes of this  
2 15 division. The lead entrepreneurial endowment development  
2 16 entity shall meet all of the following qualifications:  
2 17 a. The entity shall be a center located at a public  
2 18 university engaged in entrepreneurship, philanthropy, and

2 19 rural and urban policy research and outreach education  
2 20 activities.  
2 21 b. The entity shall have a minimum governing board size of  
2 22 twenty-one members consisting of representatives of the  
2 23 institutions of higher learning under the control of the state  
2 24 board of regents, private colleges, community colleges,  
2 25 secondary education, rural and urban entrepreneurial  
2 26 development entities, the Iowa cooperative extension service  
2 27 in agriculture and home economics, state and local economic  
2 28 development entities, endow Iowa qualified community  
2 29 foundations and affiliate organizations, faith-based  
2 30 organizations, and diverse community interests from across the  
2 31 state whose principle function is entrepreneurial development  
2 32 and philanthropy.

2 33 2. The lead entrepreneurial endowment development entity  
2 34 may receive a grant from the department after review and  
2 35 approval by the lead philanthropic entity and the department  
3 1 of an implementation plan submitted by the lead  
3 2 entrepreneurial endowment development entity. The lead  
3 3 entrepreneurial endowment development entity shall use moneys  
3 4 received from the department for all of the following  
3 5 purposes:

3 6 a. Not more than twenty-five percent of the moneys  
3 7 received from the department may be used to sponsor  
3 8 specialized research projects, educational programs, and pilot  
3 9 demonstration projects in collaboration with the lead  
3 10 philanthropic entity that do all of the following:

3 11 (1) Stimulate the creation of philanthropic activities  
3 12 that comply with the Internal Revenue Code that support local  
3 13 entrepreneurship and economic development efforts.

3 14 (2) Provide additional funding to community affiliate  
3 15 organizations and endow Iowa qualified community foundations  
3 16 for building local capacity to attract endow Iowa planned  
3 17 gifts in counties that lack professional staff capacity.

3 18 b. Fifty percent of the moneys received from the  
3 19 department shall be used for all of the following purposes:

3 20 (1) Incentives for creating countywide entrepreneurial  
3 21 endowments that will be used to support local entrepreneurial  
3 22 development projects and economic development activities that  
3 23 comply with the Internal Revenue Code.

3 24 (2) Matching grants to local entrepreneurial development  
3 25 organizations, endow Iowa qualified community foundations, or  
3 26 community affiliate organizations for support of  
3 27 entrepreneurial development projects that comply with the  
3 28 Internal Revenue Code.

3 29 c. Not more than five percent of the moneys received from  
3 30 the department shall be used for administrative purposes.

3 31 d. At least twenty-five percent but not more than fifty  
3 32 percent of the moneys received from the department shall be  
3 33 deposited in one or more endow Iowa qualified community  
3 34 foundations for purposes of establishing a permanent endowment  
3 35 from which annual spending shall be for the same purposes as  
4 1 provided in this subsection.

4 2 3. The lead entrepreneurial endowment development entity  
4 3 may award moneys pursuant to subsection 2 to endow Iowa  
4 4 qualified community foundations, community affiliate  
4 5 organizations, and entrepreneurial development organizations  
4 6 that do all of the following:

4 7 a. Provide all information required by the lead  
4 8 entrepreneurial endowment development entity.

4 9 b. Demonstrate a dollar-for-dollar funding match in a form  
4 10 approved by the board.

4 11 c. Identify an endow Iowa qualified community foundation  
4 12 serving the countywide philanthropic needs to hold moneys  
4 13 awarded pursuant to subsection 2 for a proposed project. An  
4 14 endow Iowa qualified community foundation shall not be  
4 15 required to meet this requirement.

4 16 d. Provide a plan to the lead entrepreneurial endowment  
4 17 development entity that outlines the use of moneys awarded  
4 18 pursuant to subsection 2.

4 19 e. Provide evidence of broad community input into  
4 20 identifying local needs of entrepreneurs; involvement by  
4 21 diverse organizations with resources, capacity, and expertise  
4 22 for assisting local entrepreneurs; and use of best practice  
4 23 methods for enhancing local entrepreneurship and economic  
4 24 development performance.

4 25 4. Moneys awarded by the lead entrepreneurial endowment  
4 26 development entity pursuant to subsection 2 to entrepreneurial  
4 27 development organizations, endow Iowa qualified community  
4 28 foundations, and community affiliate organizations for  
4 29 creation of local entrepreneurial endowments and local

4 30 entrepreneurial development projects shall not exceed twenty  
4 31 thousand dollars per project unless the foundation, affiliate,  
4 32 or organization demonstrates a multiple county or regional  
4 33 approach. Such moneys may be awarded annually with not more  
4 34 than two grants being awarded to one county in any one fiscal  
4 35 year and such moneys may be awarded to entities with  
5 1 specialized expertise and organizations that agree to  
5 2 collaborate with qualified community foundations and community  
5 3 affiliate organizations.

5 4 5. In ranking applications for grants, the lead  
5 5 entrepreneurial endowment development entity shall consider a  
5 6 variety of factors including all of the following:  
5 7 a. The demonstrated need for financial assistance.  
5 8 b. The potential for future entrepreneurial and  
5 9 philanthropic activity in the area represented by the  
5 10 applicant.  
5 11 c. The proportion of the funding match being provided.  
5 12 d. The demonstrated need for the creation of a local  
5 13 endowment for supporting entrepreneurship and economic  
5 14 development in the applicant's geographic area.  
5 15 e. The identification of community needs and the manner in  
5 16 which additional funding will address those needs.  
5 17 f. The geographic diversity of award recipients.

5 18 Sec. 4. NEW SECTION. 15E.364 REPORTS.

5 19 By January 31 of each year, the lead entrepreneurial  
5 20 endowment development entity, in cooperation with the  
5 21 department and the lead philanthropic entity, shall submit to  
5 22 the governor and the general assembly a written report  
5 23 regarding activities conducted pursuant to this division  
5 24 during the previous calendar year. The report shall include a  
5 25 listing of local entrepreneurial and economic development  
5 26 endowment funds established, the entrepreneurial projects  
5 27 funded, and the status of permanent endowments established  
5 28 pursuant to section 15E.363, subsection 2, paragraph "d".

5 29 Sec. 5. NEW SECTION. 15E.365 APPROPRIATIONS.

5 30 Each fiscal year, there is appropriated from the general  
5 31 fund of the state to the department of economic development  
5 32 four hundred thousand dollars for purposes of providing a  
5 33 grant to a lead entrepreneurial endowment development entity  
5 34 pursuant to section 15E.363, to be used as provided in that  
5 35 section. Notwithstanding section 8.33, moneys appropriated in  
6 1 this section that remain unencumbered or unobligated at the  
6 2 close of the fiscal year shall not revert but shall remain  
6 3 available for expenditure for the purposes designated until  
6 4 the close of the succeeding fiscal year.

#### 6 5 EXPLANATION

6 6 This bill creates an entrepreneurial endowment and  
6 7 development grant program.

6 8 The bill requires the department of economic development to  
6 9 identify a lead entrepreneurial endowment development entity  
6 10 to initiate, coordinate, and evaluate activities for  
6 11 accomplishing the purposes of the bill. The bill provides  
6 12 certain characteristics that the lead entrepreneurial  
6 13 endowment development entity must possess.

6 14 The bill provides that the department may provide a grant  
6 15 to the lead entrepreneurial endowment development entity after  
6 16 review and approval by the lead philanthropic entity and the  
6 17 department of an implementation plan submitted by the entity.  
6 18 The bill provides that the lead entrepreneurial endowment  
6 19 development entity shall use moneys received from the  
6 20 department for all of the following purposes:

6 21 1. Not more than 25 percent of the moneys may be used to  
6 22 sponsor specialized research projects, educational programs,  
6 23 and pilot demonstration projects in collaboration with the  
6 24 lead philanthropic entity.

6 25 2. The entity shall use 50 percent of the moneys for  
6 26 purposes of providing incentives for creating countywide  
6 27 entrepreneurial endowments that will be used to support local  
6 28 entrepreneurial development projects and economic development  
6 29 activities and providing matching grants to local  
6 30 entrepreneurial development organizations, endow Iowa  
6 31 qualified community foundations, or community affiliate  
6 32 organizations for support of entrepreneurial development  
6 33 projects.

6 34 3. Not more than 5 percent of the moneys shall be used for  
6 35 administrative purposes.

7 1 4. At least 25 percent but not more than 50 percent of the  
7 2 moneys shall be deposited in one or more endow Iowa qualified  
7 3 community foundations for purposes of establishing a permanent  
7 4 endowment from which annual spending shall be for the same  
7 5 purposes as moneys received by the lead entrepreneurial

7 6 endowment development entity from the department.  
7 7 The bill provides that the lead entrepreneurial endowment  
7 8 development entity may award moneys to endow Iowa qualified  
7 9 community foundations, community affiliate organizations, and  
7 10 entrepreneurial development organizations that provide all  
7 11 information required by the lead entrepreneurial endowment  
7 12 development entity, demonstrate a \$1-for-\$1 funding match in a  
7 13 form approved by the board, identify an endow Iowa qualified  
7 14 community foundation serving the countywide philanthropic  
7 15 needs to hold moneys awarded, provide a plan to the lead  
7 16 entrepreneurial endowment development entity that outlines the  
7 17 use of moneys awarded, and provide evidence of broad community  
7 18 input.

7 19 The bill provides that moneys awarded to entrepreneurial  
7 20 development organizations, endow Iowa qualified community  
7 21 foundations, and community affiliate organizations for  
7 22 creation of local entrepreneurial endowments and local  
7 23 entrepreneurial development projects shall not exceed \$20,000  
7 24 per project unless the foundation, affiliate, or organization  
7 25 demonstrates a multiple county or regional approach. The bill  
7 26 provides that such moneys may be awarded annually with not  
7 27 more than two grants being awarded to one county in any one  
7 28 fiscal year and such moneys may be awarded to entities with  
7 29 specialized expertise and organizations that agree to  
7 30 collaborate with qualified community foundations and community  
7 31 affiliate organizations.

7 32 The bill provides certain factors for the lead  
7 33 entrepreneurial endowment development entity to consider in  
7 34 awarding moneys.

7 35 The bill provides an annual reporting requirement for the  
8 1 lead entrepreneurial endowment development entity regarding  
8 2 activities conducted pursuant to the bill during the previous  
8 3 calendar year.

8 4 Each fiscal year, the bill appropriates from the general  
8 5 fund of the state to the department of economic development  
8 6 \$400,000 for purposes of providing a grant to a lead  
8 7 entrepreneurial endowment development entity.

8 8 LSB 2668HC 82

8 9 tm:nh/es/88